

Message Text

CONFIDENTIAL

PAGE 01 COTONO 01877 01 OF 02 060751Z

16

ACTION AF-07

INFO OCT-01 EUR-12 NEA-06 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01

PA-01 PRS-01 USIA-06 IO-10 FTC-01 /112 W

----- 102783

R 051720Z DEC 74

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 6768

INFO AMEMBASSY ABIDJAN

AMEMBASSY ALGIERS

AMEMBASSY LAGOS

AMEMBASSY CONAKRY

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 COTONOU 1877

EO 11652: GDS

TAGS: EINV, ENRG, PINT, DM

SUBJ: RADICALIZATION OF THE REVOLUTION: PETROLEUM SECTOR
NATIONALIZED

REF COTONOU 1865 (NOTAL)

1. SUMMARY: BY CABINET DECREE, THE GOVT OF DAHOMEY
LATE YESTERDAY, 4 DEC, NATIONALIZED THE IMPORTATION,
DISTRIBUTION AND SALE OF PETROLEUM PRODUCTS. SEVEN FOREIGN-
OWNED FIRMS ARE AFFECTED, INCLUDING THE INDIRECT SUBSIDIARIES
OF TWO AMERICAN FIRMS, MOBIL AND TEXACO. EMBASSY'S VERY ROUGH
ESTIMATES OF GOVT'S LIABILITY TO THE SEVEN COMPANIES IS OVER \$6
MILLION. (ESTIMATED LIABILITY FOR FOREIGN BANK ASSETS TAKEN OVER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 COTONO 01877 01 OF 02 060751Z

EARLIER THIS WEEK WAS \$1.7 MILLION AND THAT OF OTHER INTERESTS

PERHAPS \$1 MILLION OR MORE.)

2. FORNMIN TODAY ASSURED AMB OF GOVT'S INTENTION TO INDEMNIFY AFFECTED FOREIGN INTERESTS. AMB TOLD HIM THAT PROSPECTS OF ATTRACTING NEW US PRIVATE INVESTMENT, WHICH THE GOVT WANTS, WILL DEPEND TO GREAT EXTENT ON TREATMENT ACCORDED TO OLD INVESTORS, AND HE URGED THAT A JUST SETTLEMENT BE REACHED ASAP WITH THE FIRMS WHOSE ASSETS HERE HAVE BEEN TAKEN OVER IN PAST FEW DAYS.

3. IN VIEW OF THE EXTENT OF THE TAKE-OVERS, THE STRAIN ON THE COUNTRY'S MEAGRE FINANCES OF INDEMNIFICATION PAYMENTS WILL BE SEVERE. IT IS DOUBTFUL THAT THE GOVT WILL BE FINANCIALLY CAPABLE OF MAKING ANY BUT EXTREMELY LONG-TERM ARRANGEMENTS. END SUMMARY.

4. BY DECREE OF THE COUNCIL OF MINISTERS ON 4 DEC DAHOMEAN GOVT NATIONALIZED THE IMPORTATION, DISTRIBUTION, TRANSPORT AND SALE OF ALL PETROLEUM PRODUCTS. SEVEN COMPANIES, TWO OF WHICH ARE THE INDIRECT SUBSIDIARIES OF AMERICAN FIRMS ARE INVOLVED: TEXACO, MOBIL, SHELL BP., AGIP, TOTAL AND THE DEPOT D'ENTREPOSAGE DES PRODUITS PETROLIERS (DEPP). THE LATTER IS A LOCALLY FORMED CONSORTIUM OF THE PRECEDING SIX WHICH BUYS IMPORTED PETROLEUM FROM THE GOVT AND STORES IT. ALL BUILDINGS, PROPERTY, STOCKS AND PERSONNEL OF THE COMPANIES HAVE BEEN TAKEN OVER. A STATE COMPANY, SOCIETE NATIONALE DE COMMERCIALISATION DES PRODUITS PETROLIERS (SONACOP), HAS BEEN FORMED TO TAKE OVER THE AFFAIRS OF THE SEIZED COMPANIES.

5. THE OIL COMPANIES LEARNED OF THE TAKE OVER AT THE CLOSE OF BUSINESS YESTERDAY WHEN POLICE ARRIVED AT THEIR HEADQUARTERS TO ADVISE THEM OF THE ACTION TAKEN AND TO EFFECT ARMED OCCUPATION OF THE PREMISES. THEY WERE ORDERED NOT TO REMOVE ANY COMPANY PAPERS OR VALUABLES. THIS MORNING POLICE PREVENTED COMPANY PERSONNEL FROM REENTERING THEIR OFFICES.

6. THE GOVT'S DECREE REQUIRES EACH COMPANY TO FURNISH TO AN AD HOC GOVERNMENTAL COMMISSION, FOR INDEMNIFICATION PURPOSES, "ALL DOCUMENTS, DETAILS AND ESTIMATES OF THE VALUE OF THE PROPERTY TRANSFERRED." FAILURE TO PROVIDE THIS INFO OR TO TURN OVER

CONFIDENTIAL

PAGE 03 COTONO 01877 01 OF 02 060751Z

THE PROPERTY IN GOOD CONDITION SUBJECTS THE COMPANY CONCERNED TO TOTAL OR PARTIAL FORFEITURE OF RIGHTS TO INDEMNIFICATION. THE DECREE ALSO IMPOSES TWO TO FIVE YEAR JAIL SENTENCES AND FINES OF BETWEEN THREE TO SIX MILLION CFA FOR ANYONE SABOTAGING, DESTROYING, DAMAGING OR CONCEALING PROPERTY OR DOCUMENTS RELATION TO THE FIRMS' ASSETS. THE SAME PENALTIES WILL BE IMPOSED ON ANYONE TRYING TO "BLOCK, IMPEDE OR INTERRUPT THE SUPPLY OF PETROLEUM PRODUCTS TO DAHOMEY".

5. CHIEF OF THE FINANCIAL SECTION OF MOBIL'S REGIONAL OFFICE IN ABIDJAN WHO HAPPENED TO BE IN COTONOU CAME TO EMBASSY. HE TOLD US THAT MOBIL'S DIRECTOR HERE, WHO IS A DAHOMEAN, WAS AFRAID TO HAVE DIRECT CONTACT WITH THE EMBASSY IN LIGHT OF RECENT EVENTS. FOR THAT REASON WE HAVE FOR THE MOMENT SUSPENDED OUR EFFORTS TO CONTACT TEXACO DIR WHO IS ALSO A DAHOMEAN. MOBIL AND TEXACO HERE ARE SUBSIDIARIES RESPECTIVELY OF MOBIL FRANCE AND TEXACO CANADA.

6. THE MOBIL REP ESTIMATES VALUE OF COMPANY'S INVESTMENT IN DAHOMEY AT OVER 100 MILLION CFA (OVER \$425,000) PLUS BETWEEN SEVEN AND TEN MILLION CFA FOR MOBIL'S SHARE IN DEPP. HE WILL PROVIDE MORE EXACT DETAILS ON INVESTMENT TO EMBASSY ABIDJAN FOR TRANSMISSION TO US. HE SAID A TANKER WAS EN ROUTE TO COTONOU FROM ALGERIA. IN VIEW OF PENALTIES IMPOSED IN THE DECREE ON ANYONE HINDERING FLOW OF PETROLEUM PRODUCTS THE COMPANY WILL ALLOW THE TANKER TO PROCEED HERE IN ORDER NOT ENDANGER CHANCES FOR INDEMNIFICATION.
ENGLE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 COTONO 01877 02 OF 02 060813Z

16

ACTION AF-07

INFO OCT-01 EUR-12 NEA-06 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01

PA-01 PRS-01 USIA-06 IO-10 FTC-01 /112 W

----- 102985

R 051720Z DEC 74

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 6769

INFO AMEMBASSY ABIDJAN

AMEMBASSY ALGIERS

AMEMBASSY LAGOS

AMEBASSY CONAKRY

AMEMBASSY LOME

AMEMBASSY NIAMEY
:AMEMBASSY OUAGADOUGOU 836
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 2 OF 2 COTONOU 1877

7. ACCORDING TO AN OFFICER OF THE WEST GERMAN EMBASSY, THE DAHOMEAN GOVT'S ACTIONS OF THE PAST FEW WEEKS HAVE ALREADY SCARED OFF A GERMAN GROUP THAT WAS READY TO SIGN AN AGREEMENT WITH THE GOVT TO PUT UP A SECOND BREWERY IN COTONOU (IT IS RUMORED THAT THE ONLY BREWERY HERE WILL BE TAKEN OVER ANY DAY NOW.)

8. CONFIRMING WHAT HE HAD SAID TO FRENCH AMB TWO DAYS AGO, FORNMIN ALLADAYE ASSURED AMB ENGLE TODAY THAT THE DAHOMEAN GOVT WOULD INDEMNIFY THE FOREIGN COMPANIES FOR THE ASSETS TAKEN OVER. AMB EMPHASIZED IMPORTANCE OF REACHING SOONEST A SETTLEMENT WITH THE FIRMS THAT WOULD BE GENERALLY REGARDED AS JUST AND REASONABLE, AND HE POINTED OUT THAT THE PROSPECTS OF ATTRACTING NEW US PRIVATE INVESTORS WOULD DEPEND TO GREAT EX-CONFIDENTIAL

CONFIDENTIAL

PAGE 02 COTONO 01877 02 OF 02 060813Z

TENT ON THE TREATMENT ACCORDED THE OLD ONES.

9. COMMENT: THERE APPEARS TO BE NO STANDARD PROCEDURE FOR REACHING AND ANNOUNCING DECISIONS THERE NOWADAYS. SOMETIMES THE TRADITIONAL ORGANS OF THE STATE MACHINERY (AS IN THE CASE OF NATIONALIZATION OF OIL COMPANIES) TAKE THE ACTION AND SOMETIMES THE NEW "REVOLUTIONARY" INSTITUTIONS (THE NEW POLITICAL BUREAU DECIDED ON THE TAKE-OVER EARLIER THIS WEEK). PRES KEREKOU APPARENTLY USES WHATEVER GROUP HAPPENS TO BE MEETING AT THE TIME TO APPROVE THE MEASURES HE HAS DECIDED UPON.

10. DEPP'S CAPITAL IS LISTED AT 150 MILLION CFA, BP'S AT 200 MILLION CFA AND AGIP'S AT 305 MILLION CFA. WE WOULD PLACE THE TOTAL INVESTMENT IN THE OTHER THREE COMPANIES (TEXACO, SHELL AND TOTAL) AT SOMETHING LIKE 600 MILLION CFA. IF OUR CALCULATIONS ARE ROUGHLY CORRECT, THE GOVT IS THEREFORE LIABLE FOR TOTAL INDEMNITIES OF ABOUT 1.4 BILLION CFA (\$6 MILLION) TO THE OIL COMPANIES. SINCE THE ASSETS OF FOREIGN BANKS TAKEN OVER TWO

DAYS AGO ARE PROBABLY WORTH AROUND \$1.7 MILLION AND THE ASSETS OF OTHER FOREIGN FIRMS TAKEN OVER PERHAPS A MILLION OR MORE, THE TOTAL LIABILITY MUST BE WELL OVER \$8 MILLION.

11. IN VIEW OF THE MODEST SIZE OF THE PUBLIC TREASURY AND THE EXTENT OF THE TAKE-OVERS, IT IS QUESTIONABLE WHETHER THE GOVT HAS THE CAPABILITY TO MAKE A SETTLEMENT LIKELY TO BE REGARDED AS ACCEPTABLE IN THE INTERNATIONAL INVESTOR COMMUNITY. THE GOVT WILL PROBABLY TRY TO SETTLE ON A MAXIMUM LONG-TERM

BASIS.

12. FOR EMBASSY ABIDJAN: WOULD APPRECIATE IT IF YOU CONTACT
TEXACO REGIONAL OFFICE TO OBTAIN (A) ESTIMATE OF EXTENT OF
TEXACO INVESTMENT IN DAHOMEY, WHICH WE BELIEVE TO BE SOMETHING
LESS THAN THAT OF MOBIL, (B) EXTENT OF THEIR PARTICIPATION IN
DEPP, AND (C) THEIR COMMENTS ON NATIONALIZATION.
ENGLE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974COTONO01877
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740354-0408
From: COTONOU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741259/aaaabyck.tel
Line Count: 231
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: COTONOU 1865 (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 01 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 MAY 2002 by elyme>; APPROVED <19 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RADICALIZATION OF THE REVOLUTION: PETROLEUM SECTOR NATIONALIZED
TAGS: EINV, ENRG, PINT, DM, US, MOBIL, TEXACO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005